

City of Newport Beach

ECONOMIC DEVELOPMENT COMMITTEE



MINUTES 9-17-08

Minutes of the Economic Development Committee held at the City Council Chambers, City of Newport Beach, on **Wednesday, September 17, 2008**.

Members Present:

E	Steve Rosansky, Chairman	X	John Hyatt
X	Keith Curry, Council Member	X	Lloyd Ikerd
E	Mike Henn, Council Member	X	Brion Jeannette
X	Robert Hawkins, Planning Commissioner	X	Debra Legan
X	Mike McNamara, Vice Chairman	E	Richard Luehrs
X	Fred Ameri	X	Scott Palmer
E	Craig Batley	E	John Robinson
A	Seymour Beek	X	Gregg Schwenk
X	Gary DiSano	X	Gary Sherwin
X	Jim Donnell	X	Gay Wassall-Kelly
X	Kenneth Drellishak	X	Danielle Sim
X	Sheri Drewry		<i>Vacant</i>
X	Jennifer Gonzalez		

Staff Representatives:

x	Sharon Wood, Assistant City Manager	x	Dennis Danner, Administrative Services Director/City Treasurer
x	Leigh DeSantis, Economic Development Administrator	x	Glen Everroad, Revenue Manager
x	Katie Bowden, Economic Development Coordinator		

Guests Present:

Roy Freeman, Resident	
-----------------------	--

Roll Call and Introductions:

Vice Chairman McNamara called the meeting to order at 8:04 AM, and requested introductions of the assembled members, staff and guests.

UPDATES AND ANNOUNCEMENTS

- Mr. Schwenk reminded everyone that The Taste of Newport is this weekend. Events are scheduled Friday evening and all day Saturday and Sunday.

DISCUSSION ITEMS

1. **Minutes of July 16, 2008.** The August meeting was canceled.

Motion: Gary DiSano

Second: John Hyatt

Vote: Unanimous

2. **Recommendation of Steven Coyne to fill the vacant At-Large position**

The Executive Committee of EDC reviewed the pending applications and has chosen to recommend Mr. Steven Coyne to the EDC. The chair asked for someone to move the question.

Motion: Gary DiSano

Second: Jim Donnell

Vote: Unanimous

3. **Presentation on the City's Sales Tax Revenues by Dennis Danner, Administrative Services Director/City Treasurer**

The City will not receive sale tax data for the first quarter of Fiscal Year 2008/2009 until January 2009. The City's Budget for FY 08/09 assumed 2% growth in sales tax.

However, indications based on the first two quarters of Calendar 2008 suggest there will be a decline in receipts for FY 08/09. The first Calendar Quarter of 2008 was down 2% in both Orange County as a whole and in Newport Beach. While the aggregate numbers may be the same, different categories of businesses were being impacted differently.

In Orange County, auto sales were down 12%; in Newport Beach, they were down 4%. The City anticipates that auto sales in Newport Beach will continue to be a solid source of revenues in FY 08/09 as some new dealerships will be opening. The City began receiving 50% of the Lexus sales tax and leasing seems to be rising to offset falling sales. Restaurants in the County were up 2%;

in Newport Beach they were up 1.2%. Department stores in Newport Beach were down 8.2% (the closure of a Macy's at Fashion Island). When Nordstrom's opens at Fashion Island in March 2010, this category should rebound.

The top twenty-five sales tax producers in the City fall into the following categories:

- 5 Car dealers
- 4 Leasing companies
- 3 Department stores
- 3 Retail
- 3 Groceries
- 2 Restaurants
- 2 Light Industry
- 1 Heavy Industry
- 1 Apparel Store
- 1 Miscellaneous Vehicle Sales

The Committee expressed strong interest in having Mr. Danner back in January 2009 when he would have initial numbers for FY 08/09 and again in May 2009 when he would be able to share 4th Quarter Holiday retail sales information.

After discussing sales tax, Mr. Danner was asked about the City's oil revenues. The City has 15 producing wells and over the last year revenues have doubled from \$44/barrel to \$88/barrel. Oil revenues are restricted to tidelands uses but still only represent a small fraction of what the City spends on tidelands. It was noted that the City will be installing a CNG fueling facility that will cut City operating costs and also serve as a new revenue center as CNG is sold to other users.

Property tax revenues, followed by sales tax and then transient occupancy tax are the major sources of City revenue. Over the last 25 years property tax growth has averaged 8%. This fiscal year it may be only 6%. A conservative figure of 4% was used in the Budget. Since the State began taking funds from cities to fund education ERAF, the City of Newport Beach has lost \$70 million dollars - none of which comes back to its school district.

4. 2 Minute Reports on Each Geographic Area

Balboa Island – absent

Balboa Village by Gay Wassall-Kelly

The Balboa Village had a reasonable good season. The Fun Zone was down 10% but up over last year's 30% down following an article about its future demise. There are about 10 empty store fronts but the Village averages 6-10 annually. They could benefit by more diversity in retail products and some resident serving uses. They would like a parking structure to assuage the summer's high parking demands. The merchants and residents alike are pleased with the revitalization efforts through new streetscape and infrastructure improvements a few years ago.

Cannery/Lido/McFadden – absent

Corona del Mar by Scott Palmer

There are about 400 businesses in CdM of which 55% of the businesses are Services, 40% Retail and 5% Misc. CdM has averaged around 5% turnover annually. The housing crisis has lead to a greater turnover this year, especially a loss of related businesses such as brokers, lenders, and interior decorators. Restaurants are also experiencing a 15-20% downturn. Despite these conditions, rents remain at an all time high. Releasing may take six months but demand is high, especially from small retail leaving Fashion Island. The CdM Vision Plan is very well received.

Fashion Island/Newport Center by Jim Donnell

The closure of one Macy's and the high level of construction activity have temporarily hurt Fashion Island, despite consistent traffic counts. The good news is that opening Canaletto Restaurant and Trina Turk (clothing) will be in November 2008. Opening in summer 2009 will be Dean & DeLuca (luxury food) and Dick's Sporting Goods. Lastly, Nordstrom's Department Store will be opening in March 2010.

Mariner's Mile/Old Newport Blvd by Brion Jeannette

Old Newport Boulevard properties remain the cheapest in rents in the City. The area along Newport Blvd. is linked to Hoag Hospital. Mr. Jeannette thought that the previous FAR incentives eliminated by the new General Plan would be missed. Mariner's Mile is anxious for the Belle Mare project to move forward. Speaking about his own business, Mr. Jeannette said custom home construction is down 50-60% and remodels are up 20%. Construction costs seem to be down 15%.

Tourism/Hotels by Gary Sherwin

Hotels did well so far in 2008. They attracted more in the way of group/convention business and had enough vacationers to keep full. They will continue to try to attract group/convention business but are worried about 2009. Pelican Hill Resort will open ahead of schedule in November and should have a positive impact. Pelican Hill will court foreign visitors.

Restaurants by Sheri Drewry

Restaurants as an industry are down about 15-20%. On Balboa Island, Marine Avenue business was pretty stable thanks to day visitors, despite Island vacation rentals being down 40%.

5. Discussion on what City should or could do.

Postponed

6. EQAC Representative's Report

Postponed

ITEMS FOR A FUTURE AGENDA

1. Hold the discussion envisioned in item 5.
2. Banning Ranch development

PUBLIC COMMENTS

There were none.

ADJOURNMENT

Vice Chairman McNamara called for the meeting to be adjourned at 9:26 AM.